

**ST. JOSEPH CHARTER TOWNSHIP**  
**BERRIEN COUNTY, MICHIGAN**

**FINANCIAL REPORT**

**December 31, 2006**

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name <b>ST. JOSEPH CHARTER TOWNSHIP</b>	County <b>BERRIEN</b>
Fiscal Year End <b>DECEMBER 31, 2006</b>	Opinion Date <b>FEBRUARY 6, 2006</b>	Date Audit Report Submitted to State <b>March 21, 2007</b>	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

**SE**  
**Q**

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) <b>GERBEL &amp; COMPANY, P.C. CPA'S</b>		Telephone Number <b>269-983-0534</b>	
Street Address <b>830 PLEASANT STREET</b>		City <b>ST. JOSEPH M</b>	State <b>MI</b>
		Zip <b>49085</b>	
Authorizing CPA Signature <i>Robert L. Gerbel CPA</i>		Printed Name <b>ROBERT L. GERBEL</b>	License Number <b>3953</b>

**ST. JOSEPH CHARTER TOWNSHIP  
BERRIEN COUNTY, MICHIGAN**

**FINANCIAL REPORT**

**December 31, 2006**

**CONTENTS**

	<u>Page</u>
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	I-XII
TOWNSHIP BOARD .....	1
INDEPENDENT AUDITOR'S REPORT .....	2
BASIC FINANCIAL STATEMENTS:	
Statement of Net Assets.....	3
Statement of Activities.....	4
Governmental Funds - Balance Sheet .....	5
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets .....	6
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances .....	7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	8
Proprietary Funds - Statement of Net Assets.....	9
Proprietary Funds - Statement of Revenues, Expenses, and Changes in Net Assets.....	10
Proprietary Funds - Combining Statement of Cash Flows .....	11-12
Fiduciary Funds - Statement of Net Assets.....	13
Notes to Financial Statements .....	14-25
Description of Funds.....	26

## CONTENTS - Continued

	<u>Page</u>
<b>SUPPLEMENTARY INFORMATION</b>	
General Fund - Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual .....	27
Public Safety Fund - Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual .....	28
Garbage and Rubbish Collection Fund - Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual .....	29
Nonmajor Governmental Funds:	
Combining Balance Sheet .....	30
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances .....	31
General Fund:	
Statement of Revenues, Compared to Budget .....	32
Statement of Expenditures, Compared to Budget .....	33-38
Nonmajor Special Revenue Funds:	
Combining Balance Sheet .....	39
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances .....	40
Nonmajor Capital Projects Funds:	
Combining Balance Sheet .....	41
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance .....	42
Proprietary Funds:	
Statement of Expenses .....	43
Fiduciary Funds:	
Combining Balance Sheet .....	44

# **St. Joseph Charter Township**

---

## **Management's Discussion and Analysis**

As management of St. Joseph Charter Township, we offer readers of the St. Joseph Charter Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended December 31, 2006. This discussion and analysis is designed to a) assist the reader in focusing on the significant financial issues that occurred during the year, b) provide an overview of the financial activities of the fiscal year, c) identify changes in the Township's financial position, d) identify any material deviations from the approved budget, and e) identify individual fund issues or concerns. All amounts are expressed in actual dollars.

### **Financial Highlights**

- The assets of St. Joseph Charter Township exceeded its liabilities at the close of the most recent fiscal year by \$12,614,094. Of this amount, \$8,491,919 may be used to meet the Township's ongoing obligations to its citizens and creditors.
- The Township's total net assets increased \$455,271 from the previous year.
- As of the close of the current fiscal year, the St. Joseph Charter Township's governmental funds reported combined ending fund balances of \$3,271,792, an increase of \$31,437. Approximately 97.2% of this total amount, \$3,180,159, is available for spending at the Township's discretion.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was \$1,200,032, or 93.8% of total General Fund expenditures for 2006.
- The St. Joseph Charter Township's total debt decreased by \$44,549 during the current fiscal year.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to St. Joseph Charter Township's basic financial statements. The Township's basic financial statements comprise three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Financial Statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

### **Government-Wide Financial Statements**

The government wide financial statements are designed to provide readers with a broad overview of St. Joseph Charter Township's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of St. Joseph Charter Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of St. Joseph Charter Township is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of St. Joseph Charter Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of St. Joseph Charter Township include legislative, general government, public safety, public works, recreation and cultural and interest on long-term debt. The business-type activities of the Township included the water and sewer funds.

The government-wide financial statements can be found on pages 3 - 4 of this report.

## **Fund Financial Statements**

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. St. Joseph Charter Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of St. Joseph Charter Township can be divided into three categories: Governmental funds, Proprietary funds, and Fiduciary funds.

### **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of a government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

St. Joseph Charter Township maintains twelve individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the major funds - General Fund, Public Safety Fund, Garbage and Rubbish Collection Fund, and Water Replacement and Improvement Fund. The data for the remaining non-major governmental funds are combined into a single aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

St. Joseph Charter Township adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided for the General Fund, the Public Safety Fund, and the Garbage and Rubbish Collection Fund to demonstrate compliance with the respective appropriated budget.

The basic Governmental Fund Financial Statements can be found on pages 5 - 8 of this report.

## **Proprietary Funds**

St. Joseph Charter Township maintains one type of proprietary fund – Enterprise Fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. St. Joseph Charter Township uses enterprise funds to account for its Water and Sewer Funds. The Township has no internal service funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Funds and are considered to be major funds of the Township.

The basic Proprietary Fund Financial Statements can be found on pages 9 - 12 on this report.

## **Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support St. Joseph Charter Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

St. Joseph Charter Township is a trustee/agent for other government units for which it collects tax payments. The Township is responsible for ensuring that the tax dollars collected in the Tax Fund is distributed to the proper government unit. The Township is also trustee/agent of water and sewer payments received from Township residents served by the City of Benton Harbor Water Billing Department. The Township is responsible for the distribution of these escrowed funds to the City of Benton Harbor and to the Water and Sewer Funds in the Proprietary Fund.

The basic Fiduciary Fund Financial Statements can be found on page 13 of this report.

## **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes of the financial statements can be found on pages 14 - 25 of this report.

## **Other Information**

Following the basic financial statements is additional required supplementary information that further explains and supports the information in the financial statements. The required supplementary information includes budgetary comparison schedules.

The combined statements referred to earlier in conjunction with non-major governmental funds are presented immediately following the required supplementary statements.

The supplementary information can be found on pages 26-44 of this report.

## Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of St. Joseph Charter Township's financial position, assets exceeded liabilities by \$12,614,094 at the close of the most recent fiscal year.

A portion of St. Joseph Charter Township's net assets - \$4,030,542 reflects its investment in capital assets (e.g., land, buildings, building improvements, land improvements, books, vehicles, furniture and equipment, and utility systems), less any related debt used to acquire those assets that is still outstanding. St. Joseph Charter Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although St. Joseph Charter Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### St. Joseph Charter Township Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total	
	FY 2006	FY 2005	FY 2006	FY 2005	FY 2006	FY2005
Current and other assets	\$6,214,728	\$5,780,547	\$2,675,248	\$2,324,487	\$8,889,976	\$8,105,034
Capital Assets	<u>1,862,525</u>	<u>1,804,000</u>	<u>2,305,940</u>	<u>2,575,183</u>	<u>4,168,465</u>	<u>4,379,183</u>
Total Assets	<u>\$8,077,253</u>	<u>\$7,584,547</u>	<u>\$4,981,188</u>	<u>\$4,899,670</u>	<u>\$13,058,441</u>	<u>\$12,484,217</u>
Long-term liabilities Outstanding	\$ 96,679	\$141,227	\$ 4,725	\$ 3,983	\$101,404	\$145,210
Other Liabilities	<u>262,871</u>	<u>120,354</u>	<u>80,072</u>	<u>59,830</u>	<u>342,943</u>	<u>180,184</u>
Total Liabilities	<u>\$359,550</u>	<u>\$261,581</u>	<u>\$84,797</u>	<u>\$63,813</u>	<u>\$444,347</u>	<u>\$325,394</u>
Net Assets:						
Invested in capital assets, net of Related debt	\$1,724,602	\$1,721,100	\$2,305,940	\$2,575,183	\$4,030,542	\$4,296,283
Restricted	91,633	74,600	-	-	91,633	74,600
Unrestricted	<u>5,901,468</u>	<u>5,527,266</u>	<u>2,590,451</u>	<u>2,260,674</u>	<u>8,491,919</u>	<u>7,787,940</u>
Total net assets	<u>\$7,717,703</u>	<u>\$7,322,966</u>	<u>\$4,896,391</u>	<u>\$4,835,857</u>	<u>\$12,614,094</u>	<u>\$12,158,823</u>

An additional portion of the Township's net assets (\$91,633) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$8,491,919 may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, St. Joseph Charter Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The Township's net assets increased by \$455,271 during the current fiscal year. Current and other assets increased by \$784,942 while capital assets decreased by \$210,718 due to depreciation mainly in the Enterprise Funds for Water and Sewer Operating Funds. Long term liabilities declined by \$43,806 due to the final payments for the 800 MHz radio system and one more year of payments on the Colfax and Napier Property. Other Liabilities increased by \$162,759 – the majority of the increase was in the Public Safety Fund due to General Fund for payroll expenses incurred before year-end transfers could be made.



## Governmental Activities

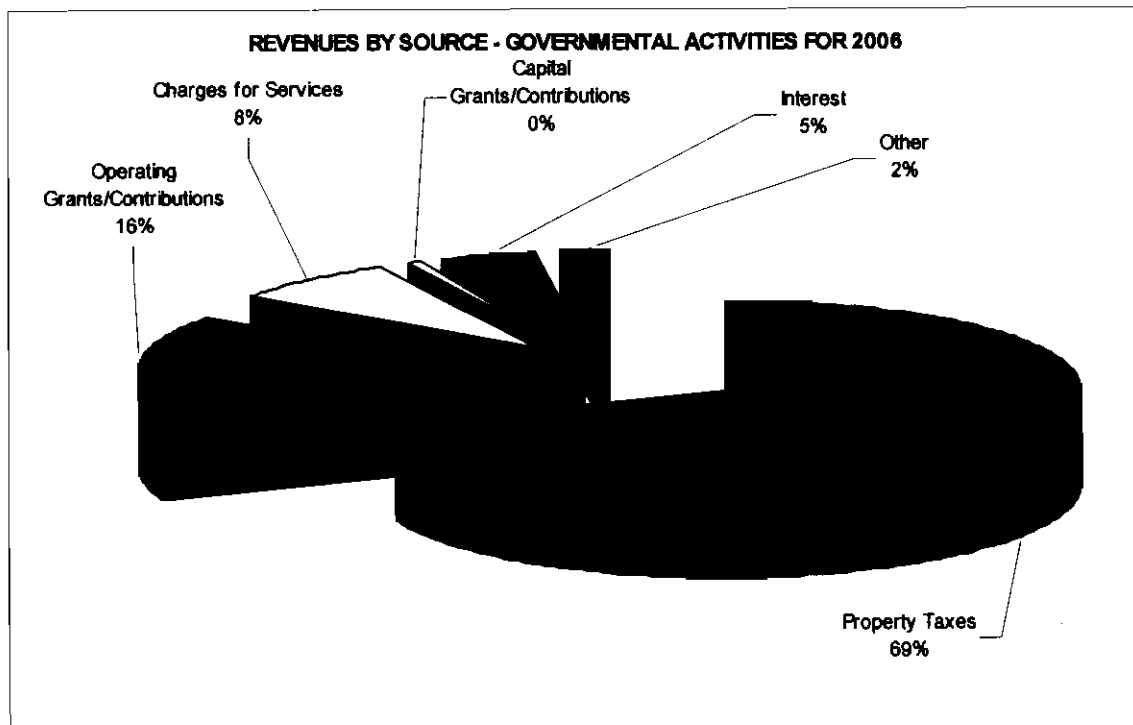
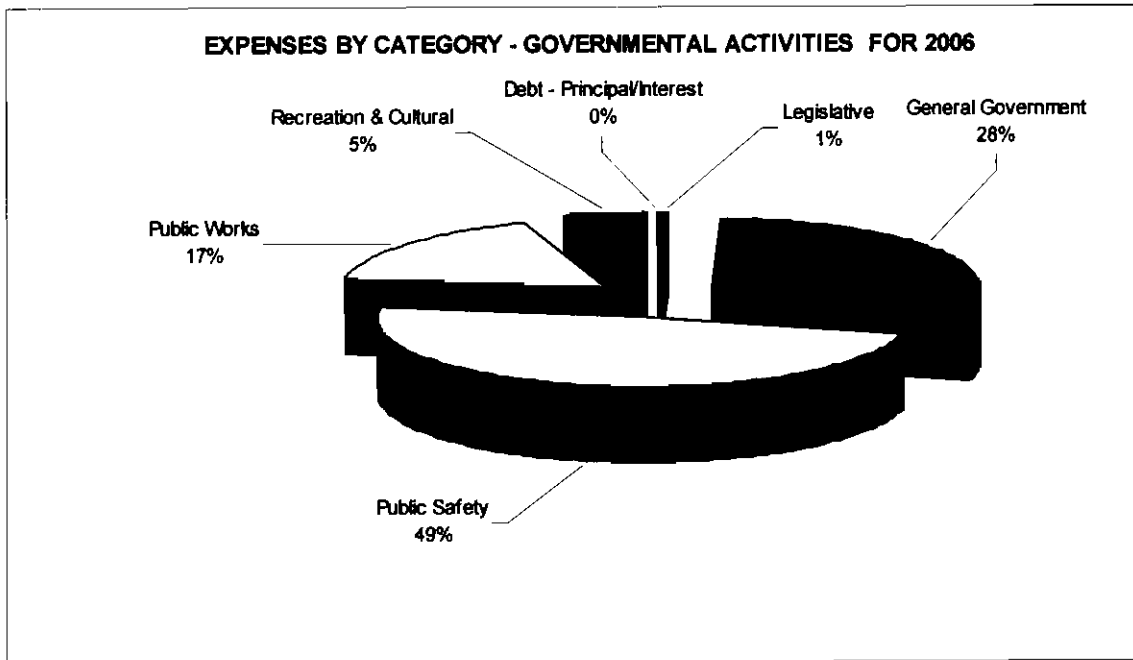
Governmental activities increased the Township's net assets by \$394,737, thereby accounting for 86.7% of the total growth in the net assets of St. Joseph Charter Township. Key elements of this increase are as follows:

### St. Joseph Charter Township Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	FY 2006	FY 2005	FY 2006	FY 2005	FY 2006	FY 2005
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 314,745	\$ 332,681	\$1,280,389	\$1,352,427	\$1,595,134	\$1,685,108
Operating grants/contributions	622,828	661,695	-	-	622,828	661,695
Capital Grants/contributions	17,034	35,440	-	-	17,034	35,440
General Revenues:						
Taxes	\$2,758,707	\$2,486,933	-	-	\$2,758,707	\$2,486,933
Fines, fees and forfeits	-	-	-	-	-	-
Interest earnings	182,085	113,716	86,999	50,334	269,084	164,050
Gain (loss) on Sale	(4,788)	-	-	-	(4,788)	-
Other revenue	86,544	82,774	29,903	-	116,447	82,774
Transfers	- 0 -	8,331	-	(8,331)	-	-
Total Revenues and transfers	<u>\$3,977,155</u>	<u>\$3,721,570</u>	<u>\$1,397,291</u>	<u>\$1,394,430</u>	<u>\$5,374,446</u>	<u>\$5,116,000</u>
<b>Expenses:</b>						
Legislative	\$ 23,313	\$ 23,429	-	-	\$ 23,313	\$ 23,429
General government	1,018,039	928,146	-	-	1,018,039	928,146
Public Safety	1,739,382	1,630,391	-	-	1,739,382	1,630,391
Public works	618,306	602,477	-	-	618,306	602,477
Recreation and culture	181,085	169,484	-	-	181,085	169,484
Debt Service	2,293	3,797	-	-	2,293	3,797
Water Operating	-	-	\$ 173,545	\$ 150,472	\$ 173,545	\$ 150,472
Sewer Operating	-	-	1,163,212	1,013,288	1,163,212	1,013,288
Total Expenses	<u>3,582,418</u>	<u>3,357,724</u>	<u>\$1,336,757</u>	<u>\$1,163,760</u>	<u>\$4,919,175</u>	<u>\$4,521,484</u>
Increase (Decrease) in Net Assets	\$ 394,737	\$ 363,846	\$ 60,534	\$ 230,670	\$ 455,271	\$ 594,516
Net Assets, January 1, 2006	<u>7,322,966</u>	<u>6,959,120</u>	<u>4,835,857</u>	<u>4,605,187</u>	<u>12,158,823</u>	<u>11,564,307</u>
<u>Net Assets, December 31, 2006</u>	<u>\$7,717,703</u>	<u>\$7,322,966</u>	<u>\$4,896,391</u>	<u>\$4,835,857</u>	<u>\$12,614,094</u>	<u>\$12,158,823</u>

- Property Taxes increased by \$271,774 during the year.
- Interest earnings increased by \$105,034 due to higher and compounding interest rates.
- Revenue sharing in General Fund declined by \$38,867.
- Public Safety Fund expenditures increased by 108,991 but were \$118,000 less than budgeted
- Overall expenditures in the Governmental activities increased by \$224,694
- Expenditures in the Water Fund increased by approximately \$23,000
- Expenditures in the Sewer Fund increased by approximately \$150,000

## St Joseph Charter Township Expenses and Program Revenue – Governmental Activities

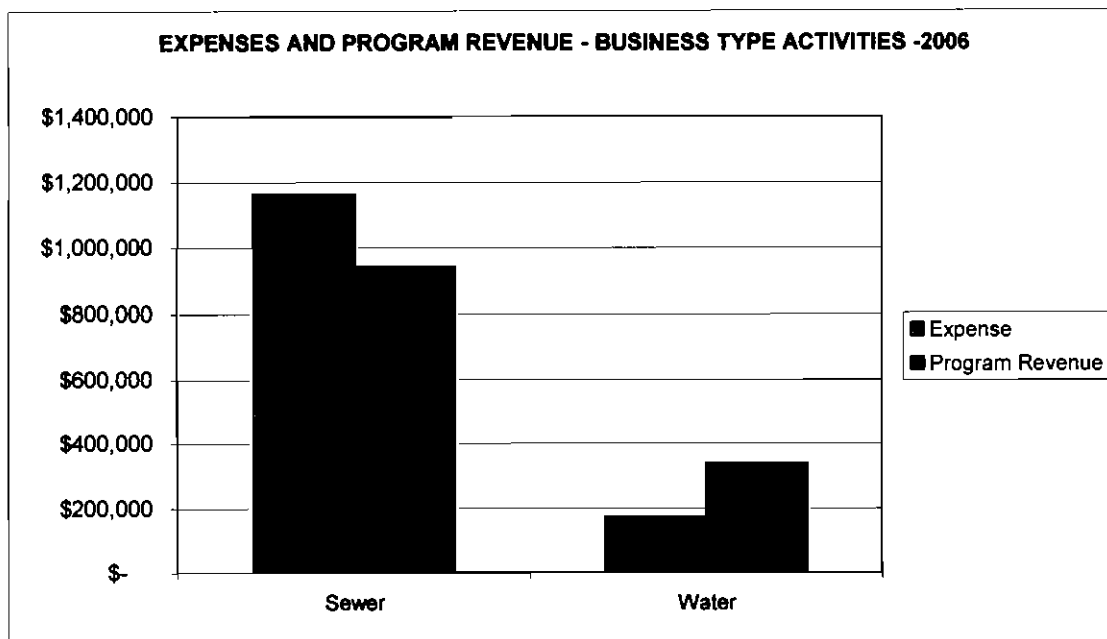


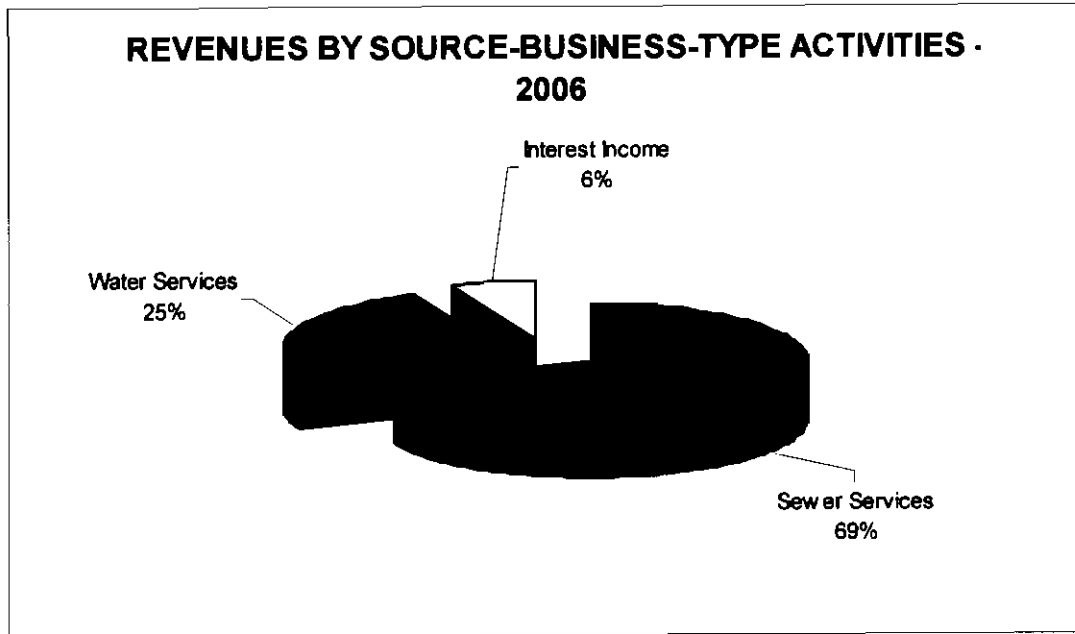
For the most part, increases in expenditures closely paralleled inflation and growth in the demand for services with the exception of Public Safety which showed a larger increase due to a substantial increase in the overtime due to one police officer on workers compensation disability for approximately 6 weeks and the shift being covered with overtime and additional part-time officers. In addition, with the settlement of the union contract with the police officers union, additional expenditures were incurred in holiday pay. Additional funds were expended for the payment to the Township's retirement program for the police officer that was on military leave in 2005. Upon his return to employment in March 2006, the Township was required to pay this retirement contributions for the period of time he was on military leave – approximately 14 months.

## Business-Type Activities

Business-type activities increased the Township's net assets by \$60,534, accounting for 13.3% of the total growth in the Township's net assets. Key elements of this increase are as follows:

- Charges for services for business-type activities decreased by 5.3%
- Interest earnings increased by approximately \$36,600 or 72.8% increase
- New Sewer assessments and interest on special assessments accounted for approximately \$9,700 in additional revenue.
- Transmission fees from Royalton Township accounted for approximately \$20,000 in revenue.





## Financial Analysis of the Township's Funds

As noted earlier, St. Joseph Charter Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** – The focus of St. Joseph Charter Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing St. Joseph Charter Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, St. Joseph Charter Township's governmental funds reported combined ending balances of \$3,271,792 an increase of \$31,437 from the prior year. Approximately 97.2% of this total amount (\$3,180,159) constitutes unreserved, undesignated fund balance, which is available for spending at the Township's discretion. The remainder of the fund balance is reserved or designated to indicate that it is not available for new spending as it has restrictions on its use.

The General Fund is the chief operating fund of St. Joseph Charter Township. At the end of the current fiscal year, unreserved, undesignated fund balance of the General Fund was \$1,200,032, while total fund balance reached \$1,291,665. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total expenditures. Unreserved, undesignated fund balance represents 93.8% of total General Fund 2006 expenditures, while total fund balance represents 101% of that same amount.

The fund balance of St. Joseph Charter Township's General Fund decreased by \$64,651 during the current fiscal year compared to a \$10,982 increase in 2005. Key factors in this decline are as follows:

- Monies received from the State of Michigan decreased by approximately \$51,400
- Property taxes only increased by \$14,896
- Charges for Services declined by \$4,580
- Interest income increased by \$30,663
- Total revenues for 2006 declined by \$3,991 when compared to 2005 while expenditures increased by \$15,211.
- Approximately \$56,000 was transferred out to the new Economic Development Fund for the purchase of two land parcel in the Tennis Court area.

In 2006, the fund balance of St. Joseph Charter Township's Public Safety Fund increased by \$117,095. At the end of the current fiscal year, the unreserved fund balance of the Public Safety Fund was \$713,471. As a measure of the Public Safety Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 46.1% of total Public Safety 2006 expenditures. It is recommended by the Township's auditors that the fund balance in this fund be 3 to 6 months of expenditures. It would appear that we have met that guideline.

The key factors in this growth are as follows:

- Due to the increase in interest rates, interest earnings were approximately \$15,000 higher than 2005.
- Property Tax revenue increased by approximately \$57,000
- Total revenues were approximately \$67,400 higher than 2005
- Total expenditures were approximately \$86,400 higher than 2005, but were \$118,000 less than budget.

In 2006, the Township's Garbage and Rubbish Collection fund balance increased by \$54,669. At the end of the current fiscal year, the unreserved fund balance of the Garbage and Rubbish Collection Fund was \$331,092. As a measure of the Garbage and Rubbish Collection funds liquidity, it may be useful to compare reserved fund balance to total fund expenditures. Unreserved fund balance represents 65.7% of total Garbage and Rubbish Collection expenditures.

The key factors in this growth are as follows:

- Due to the increase in interest rates, earnings increased by approximately \$11,300.
- Property Tax revenues increased by approximately \$21,000
- Overall, total revenue increased by approximately \$30,400.
- Total expenditures increased by approximately \$2,500.

In the Water Replacement and Improvement Fund, the fund balance decreased by \$47,701. At the end of the current fiscal year, the unreserved fund balance of the Water Replacement and Improvement Fund was \$556,747.

The key factor in this decline is as follows:

- The LMSW&STA budget for 2005-2006 & 2006-2007 contained funding for the new tower project which will supply water to the Township residents served by the City of St. Joseph Water Department. In 2006, \$93,506 was expended on this project.
- Revenue for the water improvement fee increased by approximately \$3,800 over 2005
- Interest earnings increased by \$7,830.
- Revenues from new construction for the water improvement fee declined by \$4,000 in 2006 as compared to 2005.
- Total Expenditures for 2006 increased by \$17,120 as compared to 2005.

## **Proprietary Funds**

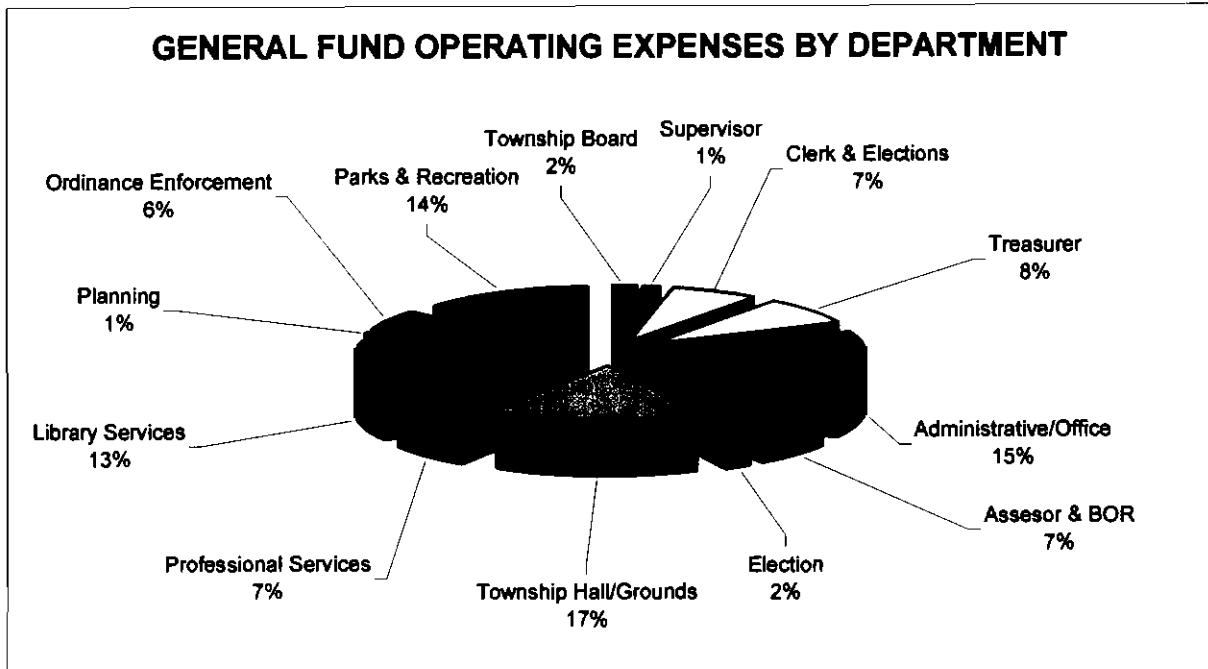
The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water Operating and Sewer Operating Funds, at the end of the current fiscal year amounted to \$2,590,451. The total growth or (decline) in net assets for both funds was \$226,784 and \$(166,250) respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of St. Joseph Charter Township's business-type activities.

## General Fund Budgetary Highlights

During the year there was a \$21,450 increase in expenditure appropriations between the original and final amended budget. Following are the main components of the increase:

- \$14,650 was added to the Ordinance Enforcement Officer's budget for the purchase of a replacement vehicle (used).
- \$6,800 was added to the Parks budget for repairs to the gang mower purchased late in 2005.



## Capital Asset and Debt Administration

St. Joseph Charter Township's investment in capital assets for its governmental and business-type activities as of December 31, 2006, amounts to \$4,168,465 (net of accumulated depreciation). This investment in capital assets includes, land, buildings, building improvements, land improvements, books, vehicles, furniture and equipment, and utility system. The total decrease in the Township's investment in capital assets for the current fiscal year was 4.8% or \$210,719.

Major capital asset events during the current fiscal year included the following:

- Township Hall parking lot resurfacing to meet Election ADA standards
- Power assist doors to meet ADA standards for Township election precinct.
- New server purchased for Township Administration
- A used ambulance vehicle for Fire Station 1 to replace existing unit which was transferred to the Sewer Department
- Building Improvements to the Senior Nutrition Center Building on Colfax Avenue
- Purchase of 2 parcels of land in the Tennis Court Area
- Backup generator for the May Street Lift Station
- Installation for fencing around May Street Lift Street generator
- Purchase of a used Ford Ranger for the Sewer Department
- Purchase of a used Ford for the Ordinance Enforcement Officer
- Purchase of 2 squad cars for the Police Department
- Purchase of DDP Police Science software for the Police Department

---

## St. Joseph Charter Township

### Capital Assets

(net of depreciation)

---

	Governmental Activities		Business-Type Activities		Total	
	FY 2006	FY 2005	FY 2006	FY 2005	FY 2006	FY 2005
Land	\$ 366,644,	\$ 309,913	\$ -	\$-	\$366,644	\$309,913
Buildings	702,295	726,119	3,601	4,993	705,896	731,112
Building Improvements	52,783	50,389	-	-	52,783	50,389
Land Improvements	309,993	303,989	-	-	309,993	303,989
Books	152,026	153,847	-	-	152,026	153,847
Vehicles	181,398	152,045	14,533	4,785	195,931	156,830
Furniture and Equipment	97,386	107,698	75,424	54,918	172,810	162,616
Utility Systems	-	-	2,212,382	2,510,487	2,212,382	2,510,487
Total Capital Assets	<u>\$1,862,525</u>	<u>\$1,804,000</u>	<u>\$2,305,940</u>	<u>\$2,575,183</u>	<u>\$4,168,465</u>	<u>\$4,379,183</u>

Additional information on St. Joseph Charter Township's capital assets can be found in note 4 on pages 20 – 21 of this report.

### Long-Term Debt

At the end of the current fiscal year, St. Joseph Charter Township had total long-term notes outstanding of \$38,352. The amount is secured by the assets purchased with the note proceeds. The Township had total compensated absences of \$63,052.

St. Joseph Charter Township's debt decreased by \$44,549 during the current fiscal year.

The loan for the 800 MHz radio equipment was paid in full in 2006.

The loan for the building at Colfax and Napier Avenues currently housing the Senior Nutrition Center will be paid in November 2008.

Additional information of St. Joseph Charter Township's debt can be found on Note 5 on pages 22 - 23 of this report.

### Economic Factors and Next Year's Budget and Rates

- Due to the uncertainty of the State of Michigan's finances, the revenue sharing budget for 2007 was reduced by \$27,000.
- Due to the reduction in receipts for the Metro Act monies, the 2007 budget was reduced by 50%.
- Property taxes are expected to increase by 4.2%
- Medical insurance premiums increased by 8.7%, dental insurance premiums increased by 6.9%.
- At the November General Election, Township residents passed a millage for Library Services. With the passage of this millage, a new fund was created to record the property tax revenue and expense thereby eliminating \$167,000 in the General Fund Budget.
- Approximately \$45,000 was appropriated to the Parks Department for a new Pavilion at the Maiden Lane Soccer Park.
- Approximately \$30,000 was set aside in a contingency fund to cover any unexpected expenditures.
- The balance reduced the anticipated deficit and reduction in the General Fund's Fund Equity.

- For the 2007 budget there is currently a deficit of \$72,405. Without this reduction in expense for Library Services, it was anticipated that the reduction in fund equity would have been over \$125,000..
- Salary increases were 2% for full and part-time employees not affiliated with the police officers union.

During the current fiscal year, the unreserved, undesignated fund balance in the General Fund decreased to \$1,200,032. The 2007 General Operation budget was approved with a projection that \$72,405 of fund equity could be needed to balance the budget. However, with the current State of Michigan revenue projections, it is very possible that the Township will not receive the anticipated budgeted monies for revenue sharing resulting in a further erosion of the fund equity balance.

In 2007, the Water Operating Fund will see a 1% increase in the water rates plus a substantial increase in the stand by rates for residents serviced by the City of St. Joseph Water Department

For 2007, the Sewer Operating Fund has not received any notice of a rate increase at this time.

It is anticipated that continued new housing development will continue in 2007 with construction continuing in the Washington Crossings subdivision in 2007 as well as commercial development in the Niles/Hollywood corridor and the Hilltop area. New subdivisions are also currently under development in the Fairplain area of the Township near the Berrien Hills Golf Club.

### **Request for Information**

This financial report is designed to provide a general overview of St. Joseph Charter Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provide in this report or request for additional financial information should be addressed to:

**Manager  
St. Joseph Charter Township  
3000 Washington Avenue  
P O Box 147  
St Joseph., MI 49085**



**ST. JOSEPH CHARTER TOWNSHIP**

**TOWNSHIP BOARD**

Ronald A. Griffin ..... Supervisor  
Denise Cook ..... Clerk  
David Vonk ..... Treasurer  
Charles Garlanger ..... Trustee  
Gary Bluschke ..... Trustee  
Edward A. Sieber ..... Trustee  
Roger Seely ..... Trustee  
James Boothby ..... Manager/Superintendent

# Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4<sup>th</sup> Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

February 2, 2007

## INDEPENDENT AUDITOR'S REPORT

Members of the Township Board  
St. Joseph Charter Township  
St. Joseph, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of St. Joseph Charter Township, as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages I through XII and 27 through 29 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise St. Joseph Charter Township's basic financial statements. The combining and individual nonmajor fund financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Gerbel & Company, P.C.*

**Right. On time.**

**ST. JOSEPH CHARTER TOWNSHIP**  
**Statement of Net Assets**  
**December 31, 2006**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash	\$ 3,373,626	\$ 2,396,082	\$ 5,769,708
Receivables	1,941,441	142,586	2,084,027
Due from state	100,000	-	100,000
Due from other governments	57	84,107	84,164
Due from other funds	668,787	39,023	707,810
Prepaid expenses	130,817	13,450	144,267
Nondepreciable capital assets:			
Land	366,644	-	366,644
Capital assets (net of related depreciation):			
Buildings	702,295	3,601	705,896
Building improvements	52,783	-	52,783
Land improvements	309,993	-	309,993
Books	152,026	-	152,026
Vehicles	181,398	14,533	195,931
Furniture and equipment	97,386	75,424	172,810
Utility systems	-	2,212,382	2,212,382
<b>Total Assets</b>	<b>\$ 8,077,253</b>	<b>\$ 4,981,188</b>	<b>\$ 13,058,441</b>
<b>Liabilities</b>			
Accounts payable	\$ 105,535	\$ 77,880	\$ 183,415
Payroll liabilities	41,465	2,192	43,657
Due to other funds	115,871	-	115,871
Noncurrent liabilities:			
Due within one year	45,932	-	45,932
Due in more than one year	50,747	4,725	55,472
<b>Total Liabilities</b>	<b>\$ 359,550</b>	<b>\$ 84,797</b>	<b>\$ 444,347</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 1,724,602	\$ 2,305,940	\$ 4,030,542
Restricted for Metro Act	91,633	-	91,633
Unrestricted	5,901,468	2,590,451	8,491,919
<b>TOTAL NET ASSETS</b>	<b>\$ 7,717,703</b>	<b>\$ 4,896,391</b>	<b>\$ 12,614,094</b>

**ST. JOSEPH CHARTER TOWNSHIP**  
**Statement of Activities**  
**For the Year Ended December 31, 2006**

<b>Functions/Programs</b>	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government:</b>				
Government Activities:				
Legislative	\$ 23,313	\$ -	\$ 622,828	\$ -
General government	1,018,039	121,631	-	-
Public safety	1,739,382	164,168	-	-
Public works	618,306	25,996	-	17,034
Recreation and cultural	181,085	2,950	-	-
Interest on long-term debt	2,293	-	-	-
<b>Total Government Activities</b>	<b>\$ 3,582,418</b>	<b>\$ 314,745</b>	<b>\$ 622,828</b>	<b>\$ 17,034</b>
Business-type Activities:				
Sewer fund	\$ 1,163,212	\$ 942,926	\$ -	\$ -
Water fund	173,545	337,463	-	-
<b>Total Business-type Activities</b>	<b>\$ 1,336,757</b>	<b>\$ 1,280,389</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Primary Government</b>	<b>\$ 4,919,175</b>	<b>\$ 1,595,134</b>	<b>\$ 622,828</b>	<b>\$ 17,034</b>

General revenues:  
Property taxes  
Interest  
Other revenue  
Gain (loss) on sale

**Total General Revenues**

**Change in Net Assets**

**Net Assets - Beginning of Year**

**NET ASSETS - END OF YEAR**

**Net (Expense) Revenue and  
Changes in Net Assets  
Primary Government**

<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>	<b><u>Total</u></b>
\$ 599,515	\$ -	\$ 599,515
(896,408)	-	(896,408)
(1,575,214)	-	(1,575,214)
(575,276)	-	(575,276)
(178,135)	-	(178,135)
<u>(2,293)</u>	<u>-</u>	<u>(2,293)</u>
<u>\$ (2,627,811)</u>	<u>\$ -</u>	<u>\$ (2,627,811)</u>
\$ -	\$ (220,286)	\$ (220,286)
<u>-</u>	<u>163,918</u>	<u>163,918</u>
\$ -	\$ (56,368)	\$ (56,368)
<u>\$ (2,627,811)</u>	<u>\$ (56,368)</u>	<u>\$ (2,684,179)</u>
\$ 2,758,707	\$ -	\$ 2,758,707
182,085	86,999	269,084
86,544	29,903	116,447
<u>(4,788)</u>	<u>-</u>	<u>(4,788)</u>
<u>\$ 3,022,548</u>	<u>\$ 116,902</u>	<u>\$ 3,139,450</u>
\$ 394,737	\$ 60,534	\$ 455,271
<u>7,322,966</u>	<u>4,835,857</u>	<u>12,158,823</u>
<u>\$ 7,717,703</u>	<u>\$ 4,896,391</u>	<u>\$ 12,614,094</u>

**ST. JOSEPH CHARTER TOWNSHIP  
GOVERNMENTAL FUNDS  
Balance Sheet  
December 31, 2006**

	<u>General Fund</u>	<u>Public Safety Fund</u>	<u>Garbage and Rubbish Collection Fund</u>
<b>Assets</b>			
Current Assets:			
Cash	\$ 1,029,979	\$ 951,689	\$ 419,192
Receivables	284,132	1,147,386	392,588
Due from other governments	100,057	-	-
Due from other funds	183,472	336,283	114,643
Prepaid expense	<u>66,841</u>	<u>63,272</u>	<u>-</u>
Total Current Assets	<u>\$ 1,664,481</u>	<u>\$ 2,498,630</u>	<u>\$ 926,423</u>
TOTAL ASSETS	<u>\$ 1,664,481</u>	<u>\$ 2,498,630</u>	<u>\$ 926,423</u>
<b>Liabilities and Fund Balances</b>			
Current Liabilities:			
Accounts payable	\$ 41,886	\$ 4,310	\$ 38,421
Payroll liabilities	8,424	31,384	-
Due to other funds	-	115,871	-
Deferred revenue	<u>322,506</u>	<u>1,633,594</u>	<u>556,910</u>
Total Current Liabilities	<u>\$ 372,816</u>	<u>\$ 1,785,159</u>	<u>\$ 595,331</u>
Total Liabilities	<u>\$ 372,816</u>	<u>\$ 1,785,159</u>	<u>\$ 595,331</u>
Fund Balances:			
Reserved for:			
Restricted purposes	\$ 91,633	\$ -	\$ -
Unreserved, reported in			
General Fund	1,200,032	-	-
Special Revenue	-	713,471	331,092
Capital Projects	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>\$ 1,291,665</u>	<u>\$ 713,471</u>	<u>\$ 331,092</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,664,481</u>	<u>\$ 2,498,630</u>	<u>\$ 926,423</u>

The accompanying notes are an integral part of these financial statements.

<b>Water Replacement and Improvement <u>Fund</u></b>	<b>Other Governmental <u>Funds</u></b>	<b>Total Governmental <u>Funds</u></b>
\$ 556,747	\$ 416,019	\$ 3,373,626
-	117,335	1,941,441
-	-	100,057
-	34,389	668,787
-	704	130,817
<u>\$ 556,747</u>	<u>\$ 568,447</u>	<u>\$ 6,214,728</u>
<u>\$ 556,747</u>	<u>\$ 568,447</u>	<u>\$ 6,214,728</u>
\$ -	\$ 20,918	\$ 105,535
-	1,657	41,465
-	-	115,871
-	167,055	2,680,065
<u>\$ -</u>	<u>\$ 189,630</u>	<u>\$ 2,942,936</u>
<u>\$ -</u>	<u>\$ 189,630</u>	<u>\$ 2,942,936</u>
\$ -	\$ -	\$ 91,633
-	-	1,200,032
556,747	119,725	1,721,035
-	259,092	259,092
<u>\$ 556,747</u>	<u>\$ 378,817</u>	<u>\$ 3,271,792</u>
<u>\$ 556,747</u>	<u>\$ 568,447</u>	<u>\$ 6,214,728</u>

**ST. JOSEPH CHARTER TOWNSHIP**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Assets**  
**For the Year Ended December 31, 2006**

Fund balances of governmental funds	\$ 3,271,792
-------------------------------------	--------------

Amounts reported for governmental activities in the statement of net assets are different because:

Governmental funds report outlay as expenditures, but they are recorded as capital assets in the government-wide statements and depreciated over their useful lives.	1,862,525
--	-----------

Long-term liabilities are not due and payable in the current period nor are they reflected as reductions to debt in the funds.	(96,679)
--	----------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>2,680,065</u>
--	------------------

Net assets of governmental activities	<u>\$ 7,717,703</u>
---------------------------------------	---------------------



**ST. JOSEPH CHARTER TOWNSHIP  
GOVERNMENTAL FUNDS  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances  
For the Year Ended December 31, 2006**

	<b>General Fund</b>	<b>Public Safety Fund</b>	<b>Garbage and Rubbish Collection Fund</b>
<b>Revenues:</b>			
Taxes	\$ 392,354	\$ 1,567,577	\$ 534,401
Licenses and permits	86,013	3,468	-
Contributions from local units	-	11,015	-
State revenues	639,862	-	-
Fines and forfeits	-	5,925	-
Charges for services	9,120	2,478	325
Interest and rents	79,196	47,073	22,077
Other revenue	64,388	28,681	1,671
	<u>\$ 1,270,933</u>	<u>\$ 1,666,217</u>	<u>\$ 558,474</u>
<b>Total Revenues</b>			
	<u>\$ 1,270,933</u>	<u>\$ 1,666,217</u>	<u>\$ 558,474</u>
<b>Expenditures:</b>			
Current:			
Legislative	\$ 23,313	\$ -	\$ -
General government	999,623	-	-
Public safety	82,347	1,523,495	-
Public works	-	-	503,805
Economic development	-	-	-
Recreation and cultural	173,870	-	-
Debt service:			
Principal	-	25,000	-
Interest	-	627	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>\$ 1,279,153</u>	<u>\$ 1,549,122</u>	<u>\$ 503,805</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>\$ (8,220)</u>	<u>\$ 117,095</u>	<u>\$ 54,669</u>
<b>Other Financing Sources (Uses):</b>			
Operating transfers in	\$ -	\$ -	\$ -
Operating transfers out	(56,431)	-	-
	<u>(56,431)</u>	<u>-</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>\$ (56,431)</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Net Change in Fund Balances</b>	<u>\$ (64,651)</u>	<u>\$ 117,095</u>	<u>\$ 54,669</u>
<b>Fund Balances - Beginning of the Year</b>	<u>1,356,316</u>	<u>596,376</u>	<u>276,423</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 1,291,665</u>	<u>\$ 713,471</u>	<u>\$ 331,092</u>

The accompanying notes are an integral part of these financial statements.

<b>Water Replacement and Improvement Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ 2,494,332
-	191,681	281,162
-	-	11,015
-	-	639,862
-	-	5,925
24,000	-	35,923
21,805	5,800	175,951
-	486	95,226
<u>45,805</u>	<u>197,967</u>	<u>3,739,396</u>
\$ -	\$ -	\$ 23,313
-	12,429	1,012,052
-	174,332	1,780,174
93,506	17,966	615,277
-	56,431	56,431
-	-	173,870
-	19,549	44,549
-	1,666	2,293
<u>93,506</u>	<u>282,373</u>	<u>3,707,959</u>
<u>(47,701)</u>	<u>(84,406)</u>	<u>31,437</u>
\$ -	\$ 56,431	\$ 56,431
-	-	(56,431)
<u>-</u>	<u>56,431</u>	<u>-</u>
\$ (47,701)	\$ (27,975)	\$ 31,437
<u>604,448</u>	<u>406,792</u>	<u>3,240,355</u>
<u>\$ 556,747</u>	<u>\$ 378,817</u>	<u>\$ 3,271,792</u>

**ST. JOSEPH CHARTER TOWNSHIP**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances of**  
**Governmental Funds to the Statement of Activities**  
**For the Year Ended December 31, 2006**

Net change in fund balances - total governmental funds	\$	31,437
--	----	--------

Amounts reported for governmental activities in the statement of activities are different because:

Government funds report capital outlay as expenditures, but they are recorded as capital assets in the government-wide statements and depreciated over their useful lives. This is the amount by which depreciation exceeded capital outlays in the current period.		74,649
---	--	--------

Long-term liabilities are not due and payable in the current period nor are they reflected as reductions to debt in the funds.		44,549
--	--	--------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reportable as expenditures in governmental funds.		-
---	--	---

The net effect of trade-ins and sales involving capital assets is to decrease net assets.		(16,124)
---	--	----------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		260,226
--	--	---------

Changes in net assets of governmental activities	\$	<u>394,737</u>
--	----	----------------

**ST. JOSEPH CHARTER TOWNSHIP  
PROPRIETARY FUNDS  
Statement of Net Assets  
For the Year Ended December 31, 2006**

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total Proprietary Funds</u>
<b>Assets</b>			
Current Assets:			
Cash	\$ 606,248	\$ 1,789,834	\$ 2,396,082
Receivables	104,044	38,542	142,586
Due from other funds	32,061	6,962	39,023
Due from other governments	74,226	9,881	84,107
Prepaid expenses	<u>13,450</u>	<u>-</u>	<u>13,450</u>
Total Current Assets	<u>\$ 830,029</u>	<u>\$ 1,845,219</u>	<u>\$ 2,675,248</u>
Noncurrent Assets:			
Buildings	\$ 34,825	\$ -	\$ 34,825
Vehicles	124,767	-	124,767
Furniture and equipment	201,708	-	201,708
Utility systems	7,259,560	4,447,039	11,706,599
Accumulated depreciation	<u>(6,118,178)</u>	<u>(3,643,781)</u>	<u>(9,761,959)</u>
Total Noncurrent Assets	<u>\$ 1,502,682</u>	<u>\$ 803,258</u>	<u>\$ 2,305,940</u>
Total Assets	<u>\$ 2,332,711</u>	<u>\$ 2,648,477</u>	<u>\$ 4,981,188</u>
<b>Liabilities and Fund Balances</b>			
Current Liabilities:			
Accounts payable	\$ 75,471	\$ 2,409	\$ 77,880
Payroll liabilities	2,192	-	2,192
Compensated absences	<u>4,725</u>	<u>-</u>	<u>4,725</u>
Total Current Liabilities	<u>\$ 82,388</u>	<u>\$ 2,409</u>	<u>\$ 84,797</u>
Total Liabilities	<u>\$ 82,388</u>	<u>\$ 2,409</u>	<u>\$ 84,797</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 1,502,682	\$ 803,258	\$ 2,305,940
Unrestricted	<u>747,641</u>	<u>1,842,810</u>	<u>2,590,451</u>
TOTAL NET ASSETS	<u>\$ 2,250,323</u>	<u>\$ 2,646,068</u>	<u>\$ 4,896,391</u>

**ST. JOSEPH CHARTER TOWNSHIP  
PROPRIETARY FUNDS  
Statement of Revenues, Expenses, and  
Changes in Net Assets  
For the Year Ended December 31, 2006**

	<b><u>Sewer Fund</u></b>	<b><u>Water Fund</u></b>	<b><u>Total Enterprise Funds</u></b>
<b>Operating Revenues:</b>			
Charges for services	\$ 942,926	\$ 337,463	\$ 1,280,389
Assessments	25,191	2,300	27,491
Reimbursements	<u>-</u>	<u>2,412</u>	<u>2,412</u>
Total Operating Revenues	<u>\$ 968,117</u>	<u>\$ 342,175</u>	<u>\$ 1,310,292</u>
<b>Operating Expenses:</b>			
Water	\$ -	\$ 62,482	\$ 62,482
Sewer	956,935	-	956,935
Depreciation	<u>206,277</u>	<u>111,063</u>	<u>317,340</u>
Total Operating Expenses	<u>\$ 1,163,212</u>	<u>\$ 173,545</u>	<u>\$ 1,336,757</u>
Operating Income (Loss)	\$ (195,095)	\$ 168,630	\$ (26,465)
<b>Nonoperating Revenue (Expenses):</b>			
Interest income	<u>28,845</u>	<u>58,154</u>	<u>86,999</u>
Change in Net Assets	\$ (166,250)	\$ 226,784	\$ 60,534
Total Net Assets - Beginning of Year	<u>2,416,573</u>	<u>2,419,284</u>	<u>4,835,857</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 2,250,323</u>	<u>\$ 2,646,068</u>	<u>\$ 4,896,391</u>

**ST. JOSEPH CHARTER TOWNSHIP  
PROPRIETARY FUNDS  
Combining Statement of Cash Flows  
For the Year Ended December 31, 2006**

	<b>Business - Type Activities Enterprise Funds</b>		
	<b><u>Sewer Fund</u></b>	<b><u>Water Fund</u></b>	<b><u>Total</u></b>
<b>Cash Flows From Operating Activities:</b>			
Cash receipts from customers	\$ 1,096,461	\$ 343,507	\$ 1,439,968
Payments to employees	(122,678)	-	(122,678)
Payments of benefits on behalf of employees	(50,806)	-	(50,806)
Payments to suppliers	(858,298)	(21,469)	(879,767)
Payments to LMSW & STA	(45,794)	(38,846)	(84,640)
Net cash provided (used) by operating activities	<u>\$ 18,885</u>	<u>\$ 283,192</u>	<u>\$ 302,077</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Interest received on special assessments	\$ 28,845	\$ 58,154	\$ 86,999
Purchase of fixed assets	(48,097)	-	(48,097)
Net cash provided (used) by capital and related financing activities	<u>\$ (19,252)</u>	<u>\$ 58,154</u>	<u>\$ 38,902</u>
Net increase (decrease) in cash and cash equivalents	\$ (367)	\$ 341,346	\$ 340,979
Balances - Beginning of Year	<u>606,615</u>	<u>1,448,488</u>	<u>2,055,103</u>
<b>BALANCES - END OF YEAR</b>	<u><b>\$ 606,248</b></u>	<u><b>\$ 1,789,834</b></u>	<u><b>\$ 2,396,082</b></u>

**ST. JOSEPH CHARTER TOWNSHIP  
PROPRIETARY FUNDS  
Combining Statement of Cash Flows  
For the Year Ended December 31, 2006**

	<b>Business - Type Activities Enterprise Funds</b>		
	<b><u>Sewer Fund</u></b>	<b><u>Water Fund</u></b>	<b><u>Total</u></b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (195,095)	\$ 168,630	\$ (26,465)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expenses	\$ 206,277	\$ 111,063	\$ 317,340
(Increase) decrease in:			
Receivables	41,384	(336)	41,048
Due from other funds	6,057	2,070	8,127
Due from other governments	(55,979)	(400)	(56,379)
Prepaid expenses	(2,577)	-	(2,577)
Increase (decrease) in:			
Accounts payable	18,160	2,165	20,325
Payroll liabilities	(84)	-	(84)
Compensated absences	742	-	742
Total adjustments	\$ 213,980	\$ 114,562	\$ 328,542
Net cash provided (used) by operating activities	\$ 18,885	\$ 283,192	\$ 302,077

**ST. JOSEPH CHARTER TOWNSHIP  
FIDUCIARY FUNDS  
Statement of Net Assets  
December 31, 2006**

	<b><u>Agency Funds</u></b>
<b>Assets</b>	
Cash and cash equivalents	\$ 864,074
Total Assets	<u>\$ 864,074</u>
<b>Liabilities</b>	
Undistributed taxes, interest, licenses and revenues	\$ 246,413
Due to other governments	25,722
Due to other funds	<u>591,939</u>
Total Liabilities	<u>\$ 864,074</u>



**ST. JOSEPH CHARTER TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting methods and procedures adopted by St. Joseph Charter Township, Michigan, conform to accounting principles generally accepted in the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant government accounting policies are described below:

**A. Reporting Entity**

In evaluating how to define the Township's reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP). The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability of fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Township is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the Township's reporting entity.

**St. Joseph Charter Township Sanitation Authority and Lake Michigan Shoreline Water & Sewage Treatment Authority.** These potential component units are disclosed as joint ventures because the Township; (1) selects governing authority, (2) approves the budget, (3) is responsible for fund deficits, and (4) provides subsidies. See Note 5 for further information on the joint ventures.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statements of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government of the Township. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

**ST. JOSEPH CHARTER TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**C. Measurement Focus, Basis of Accounting, and Financial Statements**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. In the individual fund statements and schedules, the proprietary funds and fiduciary fund financial statements are also reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

St. Joseph Charter Township reports the following major governmental funds:

The **General Fund** is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Public Safety Fund** is used to account for the police department, as well as the two fire stations.

The **Garbage and Rubbish Collection Fund** is used to account for the collection of garbage and rubbish within the Township.

The **Water Replacement and Improvement Fund** is used to account for the capital improvements and future replacement of the water lines.

St. Joseph Charter Township reports the following major proprietary funds:

The **Water Operating Fund** accounts for the activities related to the Township's share of the Lake Michigan Shoreline Water and Sewage Treatment Authority's water production, purification, distribution, and billing.

The **Sewer Operating Fund** accounts for the activities related to the Township's share of the Lake Michigan Shoreline Water and Sewage Treatment Authority's sanitary collections system and wastewater treatment.

**ST. JOSEPH CHARTER TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**C. Measurement Focus, Basis of Accounting, and Financial Statements - Continued**

Additionally, St. Joseph Charter Township reports the following fund type:

The **Agency Funds** are used to account for assets as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the Water Fund, Sewer Fund, and other functions and segments. Elimination of these charges would distort the direct costs and program revenues for the functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. All taxes are reported as general taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expense for enterprise funds and internal service funds includes the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first. Unrestricted resources are used as they are needed.

**D. Budgetary Data**

At an October meeting the Manger/Superintendent submits to the Township Board a proposed operating budget for the calendar year. The operating budget includes proposed expenditures and the means of financing them for all governmental and proprietary fund types. Public hearings are then conducted at the Township Hall to obtain taxpayer comments. Prior to October 31, the budget is legally enacted on a summary budget basis through passage of a resolution.

**E. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by St. Joseph Charter Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

**ST. JOSEPH CHARTER TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**E. Capital Assets - Continued**

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciation of all exhaustible capital assets used is charged as an expense against their operations in government-wide statements and all proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statements of net assets. The straight-line depreciation method is applied over the estimated useful life of fixed assets.

The straight-line depreciation method is used for all depreciable capital assets. The estimated useful lives for capital assets are displayed in the table below:

<u>Asset Class</u>	<u>Depreciable Life</u>
Land	N/A
Buildings	25-50 years
Equipment	5-15 years
Vehicles	3-12 years
Utility Systems	10-40 years
Land Improvements	15-25 years
Library Books	10 years

**F. Long-Term Liabilities**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using straight-line amortization. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt received, are reported as debt service.

**G. Property Taxes**

Township property taxes are levied on December 1 and are payable without penalty through February 15. The Township bills and collects its own property taxes as well as taxes for the County and several school districts within its jurisdiction. Collections and remittances of all taxes are accounted for in the Current Tax Agency Fund. Township property tax revenues are recognized in the fund financial statements as revenues in the calendar year following the levy date.

**ST. JOSEPH CHARTER TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**H. Sanitation and Water Billings**

The Township has contracts with the City of Benton Harbor and the City of St. Joseph for Sanitation Supply System and Water Supply System billings. The Cities collect the billings and remit their portion to the Township according to the contracts.

The Township has an agreement with the City of Benton Harbor to deposit all of their collections in the escrow account. The authority to dispense these collections to the City and Township rests solely with St. Joseph Charter Township. Currently, the Township is making distributions from the escrow account based on actual collection reports provided by the City of Benton Harbor.

**I. Cash and Investments**

Investments are stated at cost or amortized cost, which approximates market.

All highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are defined as cash equivalents.

**J. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

**NOTE 2 - CASH AND INVESTMENTS**

**Cash and Short-Term Investments** - The Township is authorized to invest in certificates of deposit, savings accounts, and deposit accounts. The Township is also authorized to invest in bonds, securities, and other obligations of the United States, or an agency whose principal and interest is fully guaranteed by the United States. The Township is authorized to invest in commercial paper within the two highest classifications and maturities not more than 270 days after the date of purchase. Act 217, PA 1982 states that the Township's deposits, which include cash and certificates of deposit, are carried at cost and must be invested in accounts of Federally insured banks, insured credit unions, savings and loan associations and bonds and other direct obligations of the associations and bonds and other direct obligations of the United States. Michigan law prohibits security in the form of collateral, surety bond, or other forms for the deposit of public money. An Attorney General's opinion states that public funds may not be deposited in financial institutions that do not have a branch location in Michigan. The Township's deposits are in accordance with statutory authority at December 31, 2006.

**Long-Term Investments** - The Township's policy does not address investments other than short-term highly liquid assets.

**Interest Rate Risk** - It is the objective of the Township to maintain safety of principal of its funds, maintain a diversified portfolio, and maintain adequate liquidity and achieve a market rate of return on relatively safe investment instruments. The investment portfolio shall be designed to attain a market average rate of return. The Township is not exposed to interest rate risk.

**ST. JOSEPH CHARTER TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2006**

**NOTE 2 - CASH AND INVESTMENTS - Continued**

**Credit Risk** - State statute allows for the deposit of funds into financial institutions provided those institutions are a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in the State of Michigan under the laws of Michigan or the United States.

**Concentration of Credit Risk** - The investments will be diversified avoiding overconcentration from a specific issuer. Investments shall have varying maturities to meet all operating requirements that may be reasonably anticipated. Selection shall avoid high credit risks and shall include use of readily available funds, such as local government investment pools or mutual funds to maintain sufficient liquidity. The Township is not exposed to concentration of credit risk.

**Custodial Credit Risk** - The Township is authorized to invest in prequalifying financial institutions, brokers, dealers, intermediaries, and advisors with whom the Township will do business. The portfolio will be diversified so that the impact on the investment portfolio resulting from losses on individual securities will be minimized. As of December 31, 2006, the Township's funds were deposited in five institutions meeting these requirements. As of December 31, 2006, \$3,036,672 of the government's bank balance of \$6,793,111 was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	\$ 3,036,672
--------------------------------	--------------

**NOTE 3 - JOINT VENTURES**

**St. Joseph Charter Township Sanitation Authority**

On March 18, 1968, the Township of St. Joseph and Village of Shoreham entered into a joint venture to form a joint sanitation authority. The purpose of the Authority is to provide a rubbish collection and disposal service to the municipalities' residents.

The governing board consists of three members. St. Joseph Charter Township selects two members and the Village of Shoreham selects one member.

St. Joseph Charter Township levies taxes to finance the rubbish collection and disposal services. The Authority contracts with an outside sanitary refuse business to provide the service and receives payment from the Township for the amount of the contracted services. Beginning in March of 1995, invoices were turned over to the Township for payment.

**Lake Michigan Shoreline Water & Sewage Treatment Authority**

On July 18, 1964, the Townships of St. Joseph and Lincoln, and Villages of Shoreham and Stevensville formed a joint venture to acquire, improve, extend and operate a water supply and sewage disposal system. In January 2000, Royalton Township also joined the Authority.

The governing body consists of eight members. Each township selects two members and each village selects one member. From these eight members a Chairman, Vice-Chairman, Secretary and Treasurer are selected.

An annual budget is submitted to and approved by the Authority. Once this has been completed, the budget is reviewed by each respective municipality for approval.

**ST. JOSEPH CHARTER TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2006**

**NOTE 3 - JOINT VENTURES - Continued**

**Lake Michigan Shoreline Water & Sewage Treatment Authority - Continued**

The member contribution percentages for the year ended December 31, 2006, are as follows: St. Joseph Charter Township - 35%, Lincoln Township - 56%, and Royalton Township - 9%.

The following is audited financial information from the Lake Michigan Shoreline Water & Sewage Treatment Authority for the year ended June 30, 2006. A copy of the audited financial report is available for review at the Township office.

Assets	\$ 673,634
Liabilities	30,056
Fund Equity	643,578
Revenues	865,152
Expenditures	313,680
Change in Fund Equity	551,472

**NOTE 4 - CAPITAL ASSETS**

Capital assets activities for the year ended December 31, 2006 were as follows:

	<u>Balance</u> <u>January 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31, 2006</u>
<b>Governmental Activities</b>				
Land	\$ 309,913	\$ 56,731	\$ -	\$ 366,644
Buildings	\$ 1,250,406	\$ -	\$ -	\$ 1,250,406
Building improvements	51,063	5,535	-	56,598
Land improvements	526,839	29,096	-	555,935
Books	657,663	29,996	-	687,659
Vehicles	856,892	75,962	(67,465)	865,389
Furniture and equipment	241,055	12,966	(23,000)	231,021
Subtotal	\$ 3,583,918	\$ 153,555	\$ (90,465)	\$ 3,647,008
Less: Accumulated Depreciation	(2,089,831)	(135,637)	74,341	(2,151,127)
Total Capital Assets Other Than Land	\$ 1,494,087	\$ 17,918	\$ (16,124)	\$ 1,495,881

**ST. JOSEPH CHARTER TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2006**

**NOTE 4 - CAPITAL ASSETS - Continued**

	Balance January 1, <u>2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2006</u>
<b>Business Activities</b>				
Buildings	\$ 34,825	\$ -	\$ -	\$ 34,825
Furniture and equipment	170,611	31,097	-	201,708
Vehicles	107,767	17,000	-	124,767
Utility systems	<u>11,706,599</u>	<u>-</u>	<u>-</u>	<u>11,706,599</u>
Subtotal	\$ 12,019,802	\$ 48,097	\$ -	\$ 12,067,899
Less: Accumulated Depreciation	<u>(9,444,619)</u>	<u>(317,339)</u>	<u>-</u>	<u>(9,761,958)</u>
Total Capital Assets	<u>\$ 2,575,183</u>	<u>\$ (269,242)</u>	<u>\$ -</u>	<u>\$ 2,305,941</u>

Depreciation expense was charged in the following functions in the statement of activities:

**Governmental functions:**

General government	\$ 54,528
Public safety	47,512
Public works	3,031
Recreation and cultural	<u>30,566</u>
Total	<u>\$ 135,637</u>

**Business-type functions:**

Water	\$ 111,063
Sewer	<u>206,276</u>
Total	<u>\$ 317,339</u>



**ST. JOSEPH CHARTER TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2006**

**NOTE 5 - CHANGES IN LONG-TERM DEBT**

The following is a summary of long-term debt transactions of the primary government for the year ended December 31, 2006:

	<u>Installment Purchase Agreement</u>	<u>Capital Lease</u>	<u>Compensated Absences</u>
As of January 1, 2006	\$ 57,901	\$ 25,000	\$ 62,309
Additions	-	-	-
(Reductions)	<u>(19,549)</u>	<u>(25,000)</u>	<u>-</u>
As of December 31, 2006	<u>\$ 38,352</u>	<u>\$ -</u>	<u>\$ 62,309</u>

Long-term debt at December 31, 2006 is comprised of the following individual issues:

	<u>Balance January 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2006</u>	<u>Due Within One Year</u>
<b>Governmental Activities - Primary Activities</b>					
\$112,717 2002 installment purchase agreement to Fifth Third Bank due in monthly installments of \$1,768 through November 27, 2008; interest at 3.40% - St. Joseph Charter Township Improvement Fund	\$ 57,901	\$ -	\$ (19,549)	\$ 38,352	\$ 20,225
\$100,000 capital lease to Fifth Third Bank due in semi-annual installments of \$12,500 through August 15, 2006; interest at 3.35% - Public Safety Fund	25,000	-	(25,000)	-	-
Compensated Absences - General Fund, Public Safety, Building Department	<u>58,327</u>	<u>-</u>	<u>-</u>	<u>58,327</u>	<u>25,707</u>
Total Primary Government	<u>\$ 141,228</u>	<u>\$ -</u>	<u>\$ (44,549)</u>	<u>\$ 96,679</u>	<u>\$ 45,932</u>
<b>Business Activities</b>					
Compensated Absences - Water Fund, Sewer Fund	<u>\$ 3,982</u>	<u>\$ 743</u>	<u>\$ -</u>	<u>\$ 4,725</u>	<u>\$ -</u>
Total Business Activities	<u>\$ 3,982</u>	<u>\$ 743</u>	<u>\$ -</u>	<u>\$ 4,725</u>	<u>\$ -</u>

**ST. JOSEPH CHARTER TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2006**

**NOTE 5 - CHANGES IN LONG-TERM DEBT - Continued**

Annual debt service requirements to maturity for the above obligations, excluding compensated absences, are as follows:

<b>Year Ending December 31,</b>	<b>Governmental Activities</b>	
	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2007	\$ 20,225	\$ 991
2008	<u>18,127</u>	<u>295</u>
Total	<u>\$ 38,352</u>	<u>\$ 1,286</u>

**NOTE 6 - PENSION PLAN**

The Township contributes to the St. Joseph Charter Township defined contribution pension plan, which is administered by John Hancock Insurance Company. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined. The benefits a participant will receive depend solely on the amount contributed to the participant's accounts, the return on those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. All full-time employees of the Township are eligible to participate in the defined contribution plan. Contributions made by the employee and the Township vest immediately. An employee who leaves the employment of the Township is entitled to his or her contributions and the Township's contributions if vesting requirements are satisfied. The Township is required to contribute an amount equal to 14% of the employee's base pay. Employees of the Township are not required to contribute to the defined contribution pension plan. However, they are allowed to make contributions of up to 10% of their base pay.

During the year, the Township's required contribution amounted to \$168,082 which was 14% of its current year covered payroll of \$1,138,080. The contributions actually made during the year amounted to \$172,647. There were three employees who contributed \$4,565 for 2006.

No pension provision changes occurred during the year that affected the required contributions by the Township or its employees.

The plan held no securities of the Township or other related parties during the year or as of December 31, 2006.

**ST. JOSEPH CHARTER TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2006**

**NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances as of December 31, 2006, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>General</b>	Public Safety	\$ 115,328
	Trust and Agency	162
	Current Tax	67,982
<b>Public Safety</b>	Current Tax	336,283
<b>Garbage and Rubbish Collection</b>	Current Tax	114,643
<b>Sewer Operating</b>	Public Safety	543
	Benton Harbor Escrow	20,556
	Current Tax	10,962
<b>Water Operating</b>	Benton Harbor Escrow	5,518
	Current Tax	1,444
<b>Library</b>	Current Tax	<u>34,389</u>
	Total	<u>\$ 707,810</u>

The outstanding balances between funds result mainly from winter tax collections undistributed by the tax fund at year end. These balances also include water and sewer receipts collected by the City of Benton Harbor and held in escrow by the Township. The Public Safety Fund owes the General Fund for payroll expenditures.

During the year, the following transfers were made between funds:

**From General Fund**

To Economic Development Fund - To Create Economic Development Fund \$ 56,431

Total Transfers Between Funds \$ 56,431

**NOTE 8 - DEFERRED COMPENSATION PLAN**

The Township offers its employees a deferred compensation plan created in accordance with the provisions of the Internal Revenue Code Section 457. As a result of federal legislation with regard to Internal Revenue Code Section 457, the Township no longer has the rights to the assets of the deferred compensation plan. The assets of the plan have been transferred into individual trust accounts of the employees and are not subject to the claims of the general creditors of the Township. Therefore, the Township is not required to account for the deferred compensation plan.

**ST. JOSEPH CHARTER TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2006**

**NOTE 9 - DEPOSIT - BERRIEN COUNTY ROAD COMMISSION**

On an annual basis, St. Joseph Charter Township places on deposit with the Berrien County Road Commission money for local road construction work. The County matches certain funds 100%.

**NOTE 10 - RISK MANAGEMENT**

The Township carries insurance for risks of loss, including torts; theft of, damage to, and destruction of assets; error and omissions; workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded insurance coverage in the past fiscal year.

**NOTE 11 - EXPENDITURES OVER BUDGET**

P.A. 621 of 1978 Section 18, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The approved General Fund budget of the Township was adopted at the department level. During the year ended December 31, 2006, the Township was under budget in all major funds.

**NOTE 12 - RELATED PARTY TRANSACTION**

The Township purchased an emergency generator in the amount of \$20,000 from Rogers Foodland. Rogers Foodland is owned by a trustee of the Township Board. The trustee abstained from all voting pertaining to Rogers Foodland.

**ST. JOSEPH CHARTER TOWNSHIP  
NONMAJOR GOVERNMENTAL FUNDS  
Description of Funds**

**Special Revenue Funds**

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

**Police Training Fund** - This fund is used to account for revenues collected and monies expended for the purpose of police officer training as provided by the Federal Government.

**Police Drug Forfeiture Fund** - This fund is used to account for revenues collected and monies expended under specific forfeiture laws.

**Building Department Fund** - This fund is used to account for revenues collected and monies expended for the purpose of funding planning, zoning and inspection functions.

**Library Fund** – This fund is used to account for property taxes received to be used for library services for Township residents.

**Capital Projects Funds**

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

**Fire Improvement Fund** - This fund is used to account for the capital improvements to the fire departments.

**St. Joseph Charter Township Improvement Fund** - This fund is used to account for the acquisition of tax sale properties and the subsequent improvement or sale of these properties.

**Sewer Replacement and Improvement Fund** - This fund is used to account for the capital improvements and future replacement of sewer lines.

**Economic Development Fund** - This fund was created for the purposes of establishing an Economic Development Action Plan for acquiring, holding, improving, and/or selling of properties.

**ST. JOSEPH CHARTER TOWNSHIP  
GENERAL FUND  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Year Ended December 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>Revenues:</b>				
Taxes	\$ 388,555	\$ 388,555	\$ 392,354	\$ 3,799
Licenses and permits	83,500	83,500	86,013	2,513
State revenues	682,000	644,034	639,862	(4,172)
Charges for services	9,700	9,700	9,120	(580)
Interest and rents	45,600	45,600	79,196	33,596
Other revenues	25,000	25,000	64,388	39,388
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Revenues	\$ 1,234,355	\$ 1,196,389	\$ 1,270,933	\$ 74,544
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Expenditures:</b>				
Current:				
Legislative	\$ 27,265	\$ 27,265	\$ 23,313	\$ 3,952
General government	1,092,225	1,092,225	999,623	92,602
Public safety	69,145	83,795	82,347	1,448
Recreation and cultural	157,420	164,220	173,870	(9,650)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Expenditures	\$ 1,346,055	\$ 1,367,505	\$ 1,279,153	\$ 88,352
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	\$ (111,700)	\$ (171,116)	\$ (8,220)	\$ 162,896
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Other Financing Sources (Uses):</b>				
Operating transfers out	<u>-</u>	<u>-</u>	<u>(56,431)</u>	<u>(56,431)</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net Change in Fund Balances	\$ (111,700)	\$ (171,116)	\$ (64,651)	\$ 106,465
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Fund Balances - Beginning of Year	<u>1,356,316</u>	<u>1,356,316</u>	<u>1,356,316</u>	<u>-</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
FUND BALANCES - END OF YEAR	<u>\$ 1,244,616</u>	<u>\$ 1,185,200</u>	<u>\$ 1,291,665</u>	<u>\$ 106,465</u>

**ST. JOSEPH CHARTER TOWNSHIP  
PUBLIC SAFETY FUND  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Year Ended December 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>Revenues:</b>				
Taxes	\$ 1,569,035	\$ 1,569,035	\$ 1,567,577	\$ (1,458)
Licenses and permits	2,000	2,000	3,468	1,468
Contributions from local units	11,300	11,300	11,015	(285)
Charges for services	2,000	2,000	2,478	478
Fines and forfeitures	6,000	6,000	5,925	(75)
Interest	15,000	15,000	47,073	32,073
Other	11,000	11,000	28,681	17,681
Total Revenues	<u>\$ 1,616,335</u>	<u>\$ 1,616,335</u>	<u>\$ 1,666,217</u>	<u>\$ 49,882</u>
<b>Expenditures:</b>				
Current:				
Police	\$ 1,328,565	\$ 1,328,565	\$ 1,284,745	\$ 43,820
Fire Station #1	134,184	134,184	92,832	41,352
Fire Station #2	118,697	118,697	88,176	30,521
Ambulance	60,252	60,252	57,742	2,510
Debt service:				
Principal	25,000	25,000	25,000	-
Interest	640	640	627	13
Total Expenditures	<u>\$ 1,667,338</u>	<u>\$ 1,667,338</u>	<u>\$ 1,549,122</u>	<u>\$ 118,216</u>
Net Change in Fund Balances	<u>\$ (51,003)</u>	<u>\$ (51,003)</u>	<u>\$ 117,095</u>	<u>\$ 168,098</u>
Fund Balances - Beginning of Year	<u>596,376</u>	<u>596,376</u>	<u>596,376</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 545,373</u>	<u>\$ 545,373</u>	<u>\$ 713,471</u>	<u>\$ 168,098</u>

**ST. JOSEPH CHARTER TOWNSHIP  
GARBAGE AND RUBBISH COLLECTION FUND  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Year Ended December 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>Revenues:</b>				
Taxes	\$ 533,630	\$ 533,630	\$ 534,401	\$ 771
Interest	10,500	10,500	22,077	11,577
Charges for services	-	-	325	325
Other	-	-	1,671	1,671
	<u>-</u>	<u>-</u>	<u>1,671</u>	<u>1,671</u>
Total Revenues	<u>\$ 544,130</u>	<u>\$ 544,130</u>	<u>\$ 558,474</u>	<u>\$ 14,344</u>
<b>Expenditures:</b>				
Current:				
Public works	<u>\$ 530,000</u>	<u>\$ 530,000</u>	<u>\$ 503,805</u>	<u>\$ 26,195</u>
Total Expenditures	<u>\$ 530,000</u>	<u>\$ 530,000</u>	<u>\$ 503,805</u>	<u>\$ 26,195</u>
Net Change in Balances	<u>\$ 14,130</u>	<u>\$ 14,130</u>	<u>\$ 54,669</u>	<u>\$ 40,539</u>
Fund Balances - Beginning of Year	<u>276,423</u>	<u>276,423</u>	<u>276,423</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 290,553</u>	<u>\$ 290,553</u>	<u>\$ 331,092</u>	<u>\$ 40,539</u>



**ST. JOSEPH CHARTER TOWNSHIP  
NONMAJOR GOVERNMENTAL FUNDS  
Combining Balance Sheet  
December 31, 2006**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets</b>			
Current Assets:			
Cash and cash equivalents	\$ 156,927	\$ 259,092	\$ 416,019
Receivables	117,335	-	117,335
Due from other funds	34,389	-	34,389
Prepaid expense	<u>704</u>	<u>-</u>	<u>704</u>
Total Current Assets	<u>\$ 309,355</u>	<u>\$ 259,092</u>	<u>\$ 568,447</u>
 TOTAL ASSETS	 <u>\$ 309,355</u>	 <u>\$ 259,092</u>	 <u>\$ 568,447</u>
<b>Liabilities and Fund Balances</b>			
Current Liabilities:			
Accounts payable	\$ 20,918	\$ -	\$ 20,918
Payroll liabilities	1,657	-	1,657
Deferred revenue	<u>167,055</u>	<u>-</u>	<u>167,055</u>
Total Current Liabilities	<u>\$ 189,630</u>	<u>\$ -</u>	<u>\$ 189,630</u>
 Total Liabilities	 <u>\$ 189,630</u>	 <u>\$ -</u>	 <u>\$ 189,630</u>
 Fund Balances:			
Unreserved, reported in			
Special Revenue	\$ 119,725	\$ -	\$ 119,725
Capital Projects	<u>-</u>	<u>259,092</u>	<u>259,092</u>
Total Fund Balances	<u>\$ 119,725</u>	<u>\$ 259,092</u>	<u>\$ 378,817</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 309,355</u>	 <u>\$ 259,092</u>	 <u>\$ 568,447</u>

**ST. JOSEPH CHARTER TOWNSHIP  
NONMAJOR GOVERNMENTAL FUNDS  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
For the Year Ended December 31, 2006**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Revenues:</b>			
Licenses and permits	\$ 151,949	\$ 39,732	\$ 191,681
Interest and rents	5,800	-	5,800
Other revenue	<u>486</u>	<u>-</u>	<u>486</u>
 Total Revenues	 <u>\$ 158,235</u>	 <u>\$ 39,732</u>	 <u>\$ 197,967</u>
 <b>Expenditures:</b>			
Current:			
General government	\$ -	\$ 12,429	\$ 12,429
Public safety	157,452	16,880	174,332
Public works	-	17,966	17,966
Economic development	-	56,431	56,431
Debt service:			
Principal retirement	-	19,549	19,549
Interest	<u>-</u>	<u>1,666</u>	<u>1,666</u>
 Total Expenditures	 <u>\$ 157,452</u>	 <u>\$ 124,921</u>	 <u>\$ 282,373</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 <u>\$ 783</u>	 <u>\$ (85,189)</u>	 <u>\$ (84,406)</u>
 <b>Other Financing Sources (Uses):</b>			
Operating transfers in	\$ -	\$ 56,431	\$ 56,431
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>
 Total Other Financing Sources (Uses)	 <u>\$ -</u>	 <u>\$ 56,431</u>	 <u>\$ 56,431</u>
 Net Change in Fund Balances	 <u>\$ 783</u>	 <u>\$ (28,758)</u>	 <u>\$ (27,975)</u>
 Fund Balances - Beginning of Year	 <u>118,942</u>	 <u>287,850</u>	 <u>406,792</u>
 FUND BALANCES - END OF YEAR	 <u>\$ 119,725</u>	 <u>\$ 259,092</u>	 <u>\$ 378,817</u>

**ST. JOSEPH CHARTER TOWNSHIP  
GENERAL FUND  
Statement of Revenues, Compared to Budget  
For the Year Ended December 31, 2006**

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
<b>Revenues:</b>			
Taxes	\$ 388,555	\$ 392,354	\$ 3,799
Licenses and permits	83,500	86,013	2,513
State grants	644,034	639,862	(4,172)
Charges for services	9,700	9,120	(580)
Interest and rents	45,600	79,196	33,596
Other revenue	<u>25,000</u>	<u>64,388</u>	<u>39,388</u>
 TOTAL REVENUES	 <u>\$ 1,196,389</u>	 <u>\$ 1,270,933</u>	 <u>\$ 74,544</u>

**ST. JOSEPH CHARTER TOWNSHIP**  
**GENERAL FUND**  
**Statement of Expenditures, Compared to Budget**  
**For the Year Ended December 31, 2006**  
**With Comparative Totals for the Year Ended December 31, 2005**

	2006		Variance - Positive (Negative)	2005 Actual
	Budget	Actual		
Legislative				
Township Board				
Salaries - Elected officials		\$ 18,360		\$ 18,360
Payroll taxes		1,405		1,405
Education and travel		1,833		1,870
Office supplies		1,650		1,765
Miscellaneous		<u>65</u>		<u>30</u>
Total Legislative	\$ 27,265	\$ 23,313	\$ 3,952	\$ 23,430
General Government				
Supervisor				
Salaries - Elected officials		\$ 15,300		\$ 15,300
Payroll taxes		1,170		1,170
Education and travel		1,325		1,491
Office supplies		60		30
Communication		149		73
Miscellaneous		<u>-</u>		<u>84</u>
Total Supervisor	\$ 18,620	\$ 18,004	\$ 616	\$ 18,148
Clerk				
Salaries and wages:				
Elected officials		\$ 14,790		\$ 14,790
Full-time employees		39,641		38,639
Part-time employees		1,619		2,363
Longevity		985		966
Payroll taxes		4,362		4,342
Hospitalization and life insurance		13,271		11,538
Retirement contribution		5,518		5,409
Office supplies		689		72
Education and travel		2,861		1,632
Communication		90		153
Equipment		-		1,296
Contractual services		640		480
Printing and publishing		3,737		3,202
Miscellaneous		<u>291</u>		<u>173</u>
Total Clerk	90,420	\$ 88,494	1,926	\$ 85,055

**ST. JOSEPH CHARTER TOWNSHIP  
GENERAL FUND  
Statement of Expenditures, Compared to Budget  
For the Year Ended December 31, 2006  
With Comparative Totals for the Year Ended December 31, 2005**

	<u>2006</u>		<u>Variance -</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u>	<u>2005</u>
			<u>(Negative)</u>	<u>Actual</u>
<b>General Government, continued</b>				
<b>Treasurer</b>				
Salaries and wages:				
Elected officials		\$ 14,790		\$ 14,790
Full-time employees		40,053		38,962
Overtime		271		425
Longevity pay		3,941		3,864
Payroll taxes		4,518		4,359
Office equipment		800		835
Hospitalization and life insurance		14,582		12,655
Retirement contribution		5,518		5,409
Computer services		16,544		15,972
Office supplies		1,004		1,106
Postage		5,552		5,075
Education and travel		80		1,213
Miscellaneous		<u>85</u>		<u>144</u>
Total Treasurer	113,395	\$ <u>107,738</u>	5,657	\$ <u>104,809</u>
<b>Administrative and Office</b>				
Salaries and wages:				
Full-time employees		\$ 112,015		\$ 109,829
Longevity pay		2,809		2,754
Payroll taxes		8,101		7,974
Hospitalization and life insurance		20,772		18,443
Office supplies		7,866		8,345
Retirement contribution		15,382		15,080
Contract services		11,367		9,921
Education and travel		2,465		2,418
Newsletter		6,678		6,474
Printing and publishing		418		682
Postage		2,364		2,729
Equipment		355		5,128
Miscellaneous		<u>32</u>		<u>27</u>
Total Administrative and Office	199,555	\$ <u>190,624</u>	8,931	\$ <u>189,804</u>

**ST. JOSEPH CHARTER TOWNSHIP  
GENERAL FUND  
Statement of Expenditures, Compared to Budget  
For the Year Ended December 31, 2006  
With Comparative Totals for the Year Ended December 31, 2005**

	<u>2006</u>		<u>Variance -</u>	<u>2005</u>
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u> <u>(Negative)</u>	<u>Actual</u>
<b>General Government, continued</b>				
<b>Assessor and Board of Review</b>				
Salaries and wages:				
Appointed officials		\$ 780		\$ 900
Full-time employees		54,170		53,114
Longevity pay		1,353		1,326
Retirement contribution		7,575		7,426
Payroll taxes		3,919		3,953
Hospitalization and life insurance		14,680		12,750
Office supplies		861		800
Printing and publishing		478		475
Postage		2,257		2,033
Education and travel		1,966		1,621
Legal fees		186		2,313
Gasoline and oil		249		167
Contract services		2,012		2,050
Equipment		<u>1,115</u>		<u>1,208</u>
 Total Assessor and Board of Review	 95,970	 \$ <u>91,601</u>	 4,369	 \$ <u>90,136</u>
 <b>Election</b>				
Salaries and wages:				
Election workers		\$ 10,223		\$ 4,275
Administration		2,868		-
Payroll taxes		219		6
Unemployment compensation		82		-
Office supplies		6,385		5,406
Postage		3,363		4,138
Contract services		2,331		885
Education and travel		1,363		445
Printing and publishing		302		340
Repairs and maintenance		918		-
Miscellaneous		<u>-</u>		<u>351</u>
 Total Election	 30,000	 \$ <u>28,054</u>	 1,946	 \$ <u>15,846</u>

**ST. JOSEPH CHARTER TOWNSHIP  
GENERAL FUND  
Statement of Expenditures, Compared to Budget  
For the Year Ended December 31, 2006  
With Comparative Totals for the Year Ended December 31, 2005**

	<u>2006</u>		<u>Variance - Positive (Negative)</u>	<u>2005 Actual</u>
	<u>Budget</u>	<u>Actual</u>		
<b>General Government, continued</b>				
<b>Township Hall and Grounds</b>				
Salaries and wages:				
Full-time employees		\$ 41,026		\$ 23,952
Longevity pay		2,996		1,762
Retirement contribution		5,593		3,290
Payroll taxes		3,125		1,838
Workers' compensation		3,525		2,781
Life and health insurance		13,275		6,781
Operating supplies		6,394		6,338
Gasoline and oil		1,134		2,230
Contract services		27,266		14,258
Communication		8,922		8,868
Insurance and bonds		26,488		25,736
Education and travel		195		168
Electricity		14,392		15,021
Heat		6,725		7,466
Water and sewer		514		516
Repairs and maintenance:				
Building		3,669		19,674
Equipment		1,526		659
Grounds		9,072		928
Vehicle		3,722		1,673
Building improvements		5,535		51,063
Equipment		13,323		10,851
Equipment lease/rental		3,328		2,911
Land improvements		6,045		-
Miscellaneous		1,672		137
 Total Township Hall and Grounds	221,395	\$ 209,462	11,933	\$ 208,901

**ST. JOSEPH CHARTER TOWNSHIP  
GENERAL FUND  
Statement of Expenditures, Compared to Budget  
For the Year Ended December 31, 2006  
With Comparative Totals for the Year Ended December 31, 2005**

	<u>2006</u>		<u>Variance -</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u>	<u>2005</u>
			<u>(Negative)</u>	<u>Actual</u>
<b>General Government, continued</b>				
<b>General Services</b>				
Audit fees		\$ 21,500		\$ 19,400
Contractual services		8,990		9,933
Engineering fees		214		21,981
Legal fees		12,228		11,872
Library contract		166,998		164,914
Roads		5,465		9,121
Drains		3,268		1,863
Education and travel		5,377		5,171
Street lights		34,439		30,225
County revolving fund remittance		249		1,001
Miscellaneous		<u>227</u>		<u>125</u>
Total General Services	309,700	\$ <u>258,955</u>	50,745	\$ <u>275,606</u>
<b>Planning</b>				
Salary appointed		\$ 1,220		\$ 3,135
Payroll taxes		93		213
Legal fees		3,639		615
Contractual services		280		-
Education and travel		625		180
Printing and publishing		834		1,981
Miscellaneous		<u>-</u>		<u>40</u>
Total Planning	<u>13,170</u>	\$ <u>6,691</u>	<u>6,479</u>	\$ <u>6,164</u>
Total General Government	<u>\$ 1,092,225</u>	<u>\$ 999,623</u>	<u>\$ 92,602</u>	<u>\$ 994,469</u>



**ST. JOSEPH CHARTER TOWNSHIP**  
**GENERAL FUND**  
**Statement of Expenditures, Compared to Budget**  
**For the Year Ended December 31, 2006**  
**With Comparative Totals for the Year Ended December 31, 2005**  
**2006**

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>	<u>2005 Actual</u>
<b>Ordinance Enforcement</b>				
Salaries and wages:				
Full-time employees		\$ 38,272		\$ 37,522
Longevity		3,827		3,752
Payroll taxes		3,108		3,058
Hospitalization and life insurance		10,012		8,710
Retirement contribution		5,358		5,253
Office supplies		880		673
Radio maintenance		154		-
Gasoline and oil		933		720
Communication		1,203		791
Legal fees		2,757		1,155
Education and travel		40		40
Contractual services		-		26
Capital outlay		14,650		-
Vehicle maintenance		1,053		473
Miscellaneous		100		-
Total Ordinance Enforcement	\$ 83,795	\$ 82,347	\$ 1,448	\$ 62,173
<b>Recreational and Cultural</b>				
<b>Parks and Recreation</b>				
Salaries and wages:				
Full-time employees		\$ 28,115		\$ 15,968
Part-time employees		30,898		42,177
Overtime		840		-
Longevity		703		1,175
Retirement contribution		3,593		2,193
Payroll taxes		4,495		4,478
Life and health insurance		11,039		4,760
Operating supplies		4,613		4,655
Gasoline and oil		4,139		4,230
Utilities		10,447		11,209
Contractual services		7,321		6,244
General insurance		7,992		7,718
Communication		1,603		1,200
Repairs and maintenance:				
Buildings		3,453		592
Equipment		8,483		3,400
Grounds		12,111		21,504
Vehicles		524		684
Equipment		509		7,195
Uniforms		250		-
Education and travel		201		12,799
Wilderness trail		9,190		1,244
Land improvements		23,051		30,399
Miscellaneous		300		46
Total Parks and Recreation	\$ 164,220	\$ 173,870	\$ (9,650)	\$ 183,870
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,367,505</b>	<b>\$ 1,279,153</b>	<b>\$ 88,352</b>	<b>\$ 1,263,942</b>

**ST. JOSEPH CHARTER TOWNSHIP  
NONMAJOR SPECIAL REVENUE FUNDS  
Combining Balance Sheet  
December 31, 2006**

	<b>Police Training</b>	<b>Police Drug Forfeiture</b>	<b>Building Department</b>	<b>Library</b>	<b>Total</b>
<b>Assets</b>					
Cash	\$ 3,023	\$ 12,178	\$ 126,335	\$ 15,391	\$ 156,927
Accounts receivable	-	-	-	117,335	117,335
Due from other funds	-	-	-	34,389	34,389
Prepaid expense	-	-	704	-	704
<b>TOTAL ASSETS</b>	<u>\$ 3,023</u>	<u>\$ 12,178</u>	<u>\$ 127,039</u>	<u>\$ 167,115</u>	<u>\$ 309,355</u>
<b>Liabilities and Fund Equity</b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ 20,918	\$ -	\$ 20,918
Payroll liabilities	-	-	1,657	-	1,657
Deferred revenue	-	-	-	167,055	167,055
<b>Total Liabilities</b>	\$ -	\$ -	\$ 22,575	\$ 167,055	\$ 189,630
<b>Fund Equity</b>					
Fund balances	<u>3,023</u>	<u>12,178</u>	<u>104,464</u>	<u>60</u>	<u>119,725</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$ 3,023</u>	<u>\$ 12,178</u>	<u>\$ 127,039</u>	<u>\$ 167,115</u>	<u>\$ 309,355</u>

**ST. JOSEPH CHARTER TOWNSHIP  
NONMAJOR SPECIAL REVENUE FUNDS  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
For the Year Ended December 31, 2006**

	<u>Police Training</u>	<u>Police Drug Forfeiture</u>	<u>Building Department</u>	<u>Library</u>	<u>Total</u>
<b>Revenues:</b>					
Licenses and permits	\$ -	\$ -	\$ 151,949	\$ -	\$ 151,949
Interest	170	595	4,975	60	5,800
Other revenue	<u>-</u>	<u>348</u>	<u>138</u>	<u>-</u>	<u>486</u>
Total Revenues	<u>\$ 170</u>	<u>\$ 943</u>	<u>\$ 157,062</u>	<u>\$ 60</u>	<u>\$ 158,235</u>
<b>Expenditures:</b>					
Public safety	<u>\$ 3,086</u>	<u>\$ 4,004</u>	<u>\$ 150,362</u>	<u>\$ -</u>	<u>\$ 157,452</u>
Net Change in Fund Balances	\$ (2,916)	\$ (3,061)	\$ 6,700	\$ 60	\$ 783
Fund Balances, Beginning of Year	<u>5,939</u>	<u>15,239</u>	<u>97,764</u>	<u>-</u>	<u>118,942</u>
FUND BALANCES, END OF YEAR	<u>\$ 3,023</u>	<u>\$ 12,178</u>	<u>\$ 104,464</u>	<u>\$ 60</u>	<u>\$ 119,725</u>

**ST. JOSEPH CHARTER TOWNSHIP  
NONMAJOR CAPITAL PROJECTS FUNDS  
Combining Balance Sheet  
December 31, 2006**

	<b>Fire Improvement <u>Fund</u></b>	<b>St. Joseph Charter Township Improvement <u>Fund</u></b>	<b>Sewer Replacement and Improvement <u>Fund</u></b>
<b>Assets</b>			
Cash	\$ 197,586	\$ 10,952	\$ 50,554
 TOTAL ASSETS	 <u>\$ 197,586</u>	 <u>\$ 10,952</u>	 <u>\$ 50,554</u>
 <b>Fund Equity</b>			
Fund balance	\$ 197,586	\$ 10,952	\$ 50,554
 TOTAL FUND EQUITY	 <u>\$ 197,586</u>	 <u>\$ 10,952</u>	 <u>\$ 50,554</u>

Economic Development		
<u>Fund</u>		<u>Total</u>
\$ -		\$ 259,092
<u>\$ -</u>		<u>\$ 259,092</u>
 \$ -		 \$ 259,092
<u>\$ -</u>		<u>\$ 259,092</u>

**ST. JOSEPH CHARTER TOWNSHIP**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance**  
**For the Year Ended December 31, 2006**

	<b>Fire Improvement Fund</b>	<b>St. Joseph Charter Township Improvement Fund</b>	<b>Sewer Replacement and Improvement Fund</b>
<b>Revenues:</b>			
Interest and rents	\$ 7,456	\$ 29,944	\$ 2,332
Total Revenues	<u>\$ 7,456</u>	<u>\$ 29,944</u>	<u>\$ 2,332</u>
<b>Expenditures:</b>			
Current:			
General government	\$ -	\$ 12,429	\$ -
Public safety	16,880	-	-
Public works	-	-	17,966
Economic development	-	-	-
Debt service:			
Principal	-	19,549	-
Interest	<u>-</u>	<u>1,666</u>	<u>-</u>
Total Expenditures	<u>\$ 16,880</u>	<u>\$ 33,644</u>	<u>\$ 17,966</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (9,424)</u>	<u>\$ (3,700)</u>	<u>\$ (15,634)</u>
<b>Other Financing Sources (Uses):</b>			
Operating transfers in	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Change in Fund Balance	\$ (9,424)	\$ (3,700)	\$ (15,634)
Fund Balance, Beginning of Year	<u>207,010</u>	<u>14,652</u>	<u>66,188</u>
FUND BALANCE, END OF YEAR	<u>\$ 197,586</u>	<u>\$ 10,952</u>	<u>\$ 50,554</u>

<b>Economic Development Fund</b>	<b>Total</b>
\$ -	\$ 39,732
\$ -	\$ 39,732
\$ -	\$ 12,429
-	16,880
-	17,966
56,431	56,431
-	19,549
-	1,666
\$ 56,431	\$ 124,921
\$ (56,431)	\$ (85,189)
\$ 56,431	\$ 56,431
\$ 56,431	\$ 56,431
\$ -	\$ (28,758)
-	287,850
\$ -	\$ 259,092

**ST. JOSEPH CHARTER TOWNSHIP  
PROPRIETARY FUNDS  
Statement of Expenses  
For the Year Ended December 31, 2006**

	<b><u>Sewer Fund</u></b>	<b><u>Water Fund</u></b>
Operating Expenses:		
Personnel costs	\$ 174,143	\$ -
Contractual services	94,236	12,344
Contributions	45,794	38,846
Operating supplies	7,366	-
Gas and oil	6,281	-
Uniforms	1,426	-
Utilities	15,169	-
Insurance	65,593	-
Education and travel	379	300
Sewer treatment - St. Joseph	413,691	-
Sewer treatment - Benton Harbor	114,330	-
Fire hydrant rental	-	8,992
Repairs and maintenance	13,077	-
Equipment	5,280	-
Permit fees	-	2,000
Miscellaneous	170	-
	<hr/>	<hr/>
Total Operating Expenses	<b><u>\$ 956,935</u></b>	<b><u>\$ 62,482</u></b>



**ST. JOSEPH CHARTER TOWNSHIP  
FIDUCIARY FUNDS  
Combining Balance Sheet  
For the Year Ended December 31, 2006**

	<b>Current Tax Fund</b>	<b>Delinquent Tax Fund</b>	<b>Benton Harbor Escrow Fund</b>	<b>Balance December 31, 2006</b>
<b>TOTAL ALL FIDUCIARY FUNDS</b>				
<b>Assets</b>				
Cash	\$ 799,542	\$ 14,778	\$ 49,754	\$ 864,074
 TOTAL ASSETS	 \$ 799,542	 \$ 14,778	 \$ 49,754	 \$ 864,074
 <b>Liabilities</b>				
Undistributed taxes, interest, licenses and revenues	\$ 233,839	\$ 7,474	\$ 5,100	\$ 246,413
Due to other governments	-	7,142	18,580	25,722
Due to other funds	565,703	162	26,074	591,939
 TOTAL LIABILITIES	 \$ 799,542	 \$ 14,778	 \$ 49,754	 \$ 864,074

**ST. JOSEPH CHARTER TOWNSHIP**

**COMMENTS AND RECOMMENDATIONS**

**December 31, 2006**

**CONTENTS**

	<b><u>Page</u></b>
TRANSMITTAL LETTER .....	1
COMMENTS AND RECOMMENDATIONS .....	2

# Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4<sup>th</sup> Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

February 2, 2007

Members of  
St. Joseph Charter Township Board

In connection with our audit of the combined financial statements of St. Joseph Charter Township as of December 31, 2006, we have made a review of accounting procedures and internal control. While the primary objective of such a review is to afford us a basis of determining the scope of our audit procedures, it nevertheless presents us with an opportunity to submit, for your consideration, suggestions for changes in procedures, which, in our opinion, would strengthen internal control or contribute to the improvement of operating efficiency.

The comments in this letter are based upon observations made in the course of such review. The review was not designed for the purpose of expressing an opinion on internal accounting control, and it would not necessarily disclose all weaknesses in the system. The matters discussed herein were considered during our examination of the financial statements. We offer for your review the comments and recommendations as noted on the following page.

If we can be of any help in implementing any of these suggestions or if you have any questions regarding these or any other matters, please feel free to contact us.

Once again, we would like to thank all of the officials and employees of St. Joseph Charter Township for the cooperation and courtesy extended to us during the course of our engagement.

Very truly yours,

  
GERBEL & COMPANY, P.C.  
Certified Public Accountants

**Right. On time.**

PHONE: 269-983-0534 ■ FAX: 269-983-7050 ■ EMAIL: [gerbel@parrett.uet](mailto:gerbel@parrett.uet) ■ WEB SITE: [www.gerbel.com](http://www.gerbel.com) 1

1. It was noted during the audit that there are outstanding plumbing permits that go back to 2004 and 2005. The inspectors have not requested reimbursement and the Township has no way of knowing whether or not the work was completed prior to the permit expiration date. The liability for these outstanding permits continues to grow.
2. Our suggestions from prior years have been implemented in a timely and efficient manner.
3. The Township's administration and personnel displayed a high level of dedication and cooperation in performing their duties and assisting us in completing ours.